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JOINT STAFF FOR DD PMA-A FOR WTC
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NSC FOR JOECK
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SUBJECT: CHEMICAL WEAPONS CONVENTION (CWC): WEEKLY WRAP-UP
FOR SEPTEMBER 10, 2004

REF: STATE 191103 (NOTAL)

This is CWC-103-04.

2005 BUDGET - U.S. CONCERNS

1. (U) On September 8, Del reps met with Rick Martin, head of the OPCW's Budget and Finance Branch, and Ali Asghar Special Advisor on B&F issues, to outline substantive U.S. requirements outlined in refel. In response to the requirements raised, Asghar noted that there is currently only one "political" consultant (the South Korean) being funded by the Technical Secretariat. Asghar promised to check on the prospect of future funding of the position, observing that at present only the Director General knows what the prospects are for continued funding of that position. Asghar and Martin also said they would look into Verification Information System funding, and Del reps later got an informal response that it looked as though the VIS could indeed be funded as a regular item in the OPCW budget and not/not out of the U.S. voluntary contribution. Asghar promised to provide a comprehensive list of all Temporary Assistance Contract (TAC) positions and the rationale for the positions. Martin and Asghar said the DG had made provisions for increased OCPF funding in the budget and thus far they have not heard any objections from SP's on the issue.

2. (U) With regard to the proposed increases in funding for the DG's travel and hospitality, Asghar noted that the level of funding being requested reflected the actual expenditures made in 2004, and is an amount consistent with the budget for travel and hospitality activities before the end of DG Bustani's tenure. The large percentage increase is also a result of the fact that for the first time, the DG's travel and representation, which had been spread over separate categories, have been merged into in a single budget item. Asghar promised to provide a more thorough explanation for the requested increase in the DG's funds for these two items. In separate discussions, budget co-facilitator Ian Mundell (Canada) indicated a personal view that the amounts requested by the DG for travel and hospitality for 2005 were consistent with what would be expected of the head of an international organization.

2005 BUDGET - TAC SECURITY GUARDS

3. (U) The first day of the latest round of budget consultations on September 7 focused on the proposed conversion of twenty security guards from TAC to fixed-term employee status, and more generally the overall use of TACs within the OPCW. There were no strong objections by delegations to the proposal, though there were several questions about the cost of the conversion and the impact it would have on the overall number on fixed-term positions within the OPCW.

4. (U) Herb Schulz (Director of Administration), Rob Simpson (head of security) and Asghar clarified that any personnel converted to fixed-term status would be local hires and would be hired for a period of three years with an option to extend their contracts annually thereafter. They would also be subject to a six-month probationary period and the OPCW performance appraisal system, but would not be subject to the tenure policy. The converted employees would be entitled to the dependency allowance, but not other allowances granted to international staff. The TS reps emphasized that there is no guarantee that the guards currently employed as TACs would all be hired as fixed-term employees and that it expects to get a more qualified applicant pool for fixed-term positions.

5. (U) The TS also believes that that the guard force will be more highly motivated and stable as fixed-term employees, citing the fact that the current contractor often keeps guards at OPCW for training purposes for only a year before moving them on to other assignments. They suggested that the

conversion of the positions would also help to protect the OPCW from any potential legal action from employees who were held in TAC positions for two years or longer, despite the fact that the TS's own regulations are that TACs should be utilized for a maximum of one year in the absence of compelling circumstances.

16. (U) With regard to the specific questions from Washington on the numbers provided in the supplemental Information Paper, Simpson emphasized that the key numbers are:

- The 2004 cost for TACs is 830,000 Euros.
- The 2005 cost if the proposed change is adopted is 851,486 Euros. Schulz clarified that the EUR 38,583 cited in Para 3 of the TS Information Paper #4 is included in the EUR 851,486 figure.
- The estimated cost of EUR 999,359 in para. 5 of the Information Paper is the cost of an all-contract guard force, and is provided for comparison purposes only.

17. (U) Simpson emphasized that this last figure was based on the fact that there has been much consolidation within the security services sector in Europe over the last year, noting that the last time they had discussions with their current security firm, the firm had asked for an increase of 15%. Schulz added that most security companies factor in administrative overhead costs of 30-40% in their contracts.

18. (U) The U.S. asked the TS about the number of TACs and Special Service Agreement (SSA) personnel employed throughout the OPCW and the length of time that TACs have served. The TS said that they would provide us with the number of TACs and SSA staff for the organization, broken down by office/division, with comparisons for 2004 and 2005, and with length of service as a TAC. The TS conceded that some individuals have been serving in TAC positions for several years, but that the TS was making a good faith effort to convert these positions to fixed-term positions when appropriate. Currently the TS requires TAC employees to take a contract break short of the one-year window. With regard to the issue of possible ILO suits and liability by the OPCW should these TAC personnel not be converted to fixed-term positions, the topic will be addressed after receiving the TS information on TACs and SSA staff, and will arise at later consultations which focus on consultants and General Temporary Assistance.

19. (U) Several delegations stated that they felt that it would be necessary for the EC to explicitly approve an increase in the ceiling on fixed-term positions if the security guard conversion is to be approved. The TS responded that in the current 2005 budget request the TS was only asking for the funding for 482 positions so that an increase of 20 positions converted from TAC to fixed-term would only raise the total to 502 positions - below the 507 fixed-term ceiling.

2005 BUDGET - STAFF SALARY INCREASES

110. (U) The second day of budget discussions on September 8 focused almost exclusively on the methodology of staff costs in the 2005 budget. Most delegations found the explanations offered by the TS of how salary increases were determined to be somewhat unclear at best. After several attempts by Asghar to clarify and re-clarify the process, it appears that the TS (based on a recommendation of the Office of Internal Oversight) simply took the average of the salary increases for P staff over the last five years (3.785%) and rounded it down to 3.6%. Similarly the TS took the five-year average increase of the GS staff of 4.51% and round it up to 5%. When asked why 3.785 was rounded down to 3.6 and 4.51 was rounded up to 5, the TS response was less than clear. Many of the delegations were confused by the fact that the TS had made reference to the proposed UN salary increase of 1.88% in the information paper the TS had provided delegations. In reality, according to Asghar, the UN 1.88% figure had no bearing on the salary increases proposed by the TS. The chart requested by Washington for P and GS base salary increases over the past five years has been provided, and has been FAXed to AC/CB.

111. (U) Several delegations then requested that the TS provide the salaries (including post allowance) denominated in Euros for the last five years for both P and GS staff. Delegations also asked for clarification of the post allowance rates and the methodology for calculating them. Many delegations, including the U.S., were confused by the explanation in Para 2 of the information sheet provided by the TS concerning the merger of a percentage of the post allowance into the base salary. The Canadian delegation questioned why OPCW employees, who are all hired to work in The Hague, receive a Post Adjustment Allowance as part of the base salary calculation, in the first place. While delegations were pleased to receive a clarification of the TS

methodology, most WEOG delegations appeared likely to push in the future for a more transparent and rational methodology for calculating future salary increases.

12. (U) The number of fixed-term positions at the OPCW arose again in this facilitation, and the TS clarified that if the 20 security guard positions are converted to fixed-term positions, they would be "fenced in." That would mean that these 20 new positions could never be used for anything other than security positions. (Note: such a distinction may be critical should delegations return to the DG's request for position reclassification authority.)

13. (U) In general, the discussions provided delegations with more information on how the TS has been calculating salary increases. It was by no means satisfactory. However, there was no suggestion from delegations on what alternative calculation method would be preferable. Washington may wish to consider how it wishes to proceed in addressing this issue in the budget document. The initial, informal response from some delegations is to consider including something in the budget document which notes that the TS should re-assess whether the salary increase calculation is acceptable, and leave open what would be a good alternative. Should Washington have a specific proposal (such as strictly abiding by the ICSC standard), it may be valuable to float it informally with the TS outside of the budget facilitations. In the absence of a specific proposal, the best outcome may be to highlight the issue for TS consideration and subsequently make suggestions on what formula they may wish to use.

RUSSIA: REEVALUATION OF DESTRUCTION PROGRAM?

14. (U) There has been discussion in the WEOG regarding an August 9 Russian News Agency report that Moscow will substantially increase the amount of funding for CW destruction, and will shift its focus regarding destruction facilities. The RNA report indicates that while 175 million USD was allocated for CW destruction in 2004, the budget will provide for 433 million USD in 2005. The increases are due to setbacks faced by the Russian program, as well as the fact that pledges of financial and technical support from other countries (the U.S. is the target of the accusation) have, according to Russian sources, not been kept. As a result, completion of Shchuch'ye is going slowly and the Russian priority will be on completing the Maradykovo and Kambarka destruction facilities.

15. (U) Mark Matthews (U.K.) spoke with a Russian delegation member who confessed that the delegation had no more information than what was contained in the article. The Russian indicated that their understanding is that there is indeed a reassessment under way in Moscow, but that they had no details. However they thought the proposed budget increase for CW destruction was exceptionally high. Ronald Munch of the German delegation reported that FRG officials in Moscow had confirmed that there may be some increase, but certainly not at the level reported by the RNA. The Russians also informed the Germans that destruction at Shchuch'ye only would begin in 2008. (Note: WEOG delegations clearly indicated an interest in any additional insights Washington may have about the extent of Russian re-evaluation of its destruction program.)

LATEST ON RABTA

16. (U) On September 10, the TS issued three voluminous documents comprising the Rabta conversion request; the destruction plans for Rabta 1 and Rabta 2, and the conversion request itself. These have been DHLd to AC/CB. Issuance of these documents meets the requirement of the convention that they be available to delegations at least 30 days prior to their consideration by the Council. Delegation understands the combined plan for conversion and verification will be produced and available before the upcoming Council session, but with an EC 39 number since the conversion request has not yet been considered. The cover note to the combined plan will acknowledge that the conversion request has not yet been approved, and clarify that the combined plan cannot be formally considered until the request is approved.

17. (U) Delegation has created a tentative schedule for meetings on September 21 and 22 with the UK, Italy, and Libya, to consider our strategy for ensuring success at the upcoming Council session. In addition, at least one meeting will be held among U.S., UK, Italy, Libya, Germany, and the TS, to scrutinize the conversion request with an eye to

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producing a draft corrigendum before the EC. The present document contains mistakes of varying significance (though

none apparently major) that should be corrected in such a corrigendum. In particular, most if not all of the items in the "Other Comments and Need for Clarification" section of our September 3 inputs still need to be incorporated. In the short time available to them, the TS focused on including our "major deficiencies" and generally cleaning up and formatting the documents prior to their issuance.

118. (U) Delegation continues to have no solid news about where Russia stands with regard to the technical change request. Our primary interlocutor with the Russian delegation, Gennadi Lutay, has been in Moscow, and his second, Victor Domrachev, reports they have had no instructions from Moscow so far, though he was expecting it "any day now." When asked whether Moscow's decision would be informed or influenced by the DG note, Domrachev indicated they had not seen it yet and did not know there was one. He pledged to get a copy and send it to Moscow for consideration. Delegation will attempt in the next few days to ascertain whether ignorance of the existence of the DG note was an isolated instance or a generalized problem that needs to be corrected. Ambassador Javits will also contact Russian Ambassador Gevorgian to attempt to generate some urgency with regard to receiving instructions from Moscow about how Russia will respond to the technical change.

ARTICLE X

119. (U) On September 8, Del reps met with Gabrielle Kruger (U.K.) facilitator for Article X. Kruger reported that she had discussed the revised draft format for the annual reporting of information on national programmes for protection against CW, and that there had been "no show-stoppers" so far. She noted that she had been unable to contact the French delegation. Del will meet with Kruger on Sep. 20 to go over the proposed U.S. changes to the latest draft, and hopes to have differences resolved before the next facilitation on September 29.

120. (U) Javits sends.

SOBEL